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STATE FOR NEA/IPA (MAHER), NP/RA (ODLUM)
PENTAGON FOR OSD ISRAEL DESK OFFICER (ANDERSON)
DOE FOR NNSA DIRECTOR AMB. BROOKS

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SUBJECT: IRAN-IAEA: ISRAELI ATOMIC ENERGY COMMISSION
REVIEWS ISRAEL'S DISCUSSIONS WITH RUSSIANS

REF: STATE 19516

Classified By: Ambassador Richard H. Jones. Reasons: 1.4 (b, d)

SUMMARY

11. (S) In a February 7 meeting, Israeli Atomic Energy Commission (IAEC) Director General Gideon Frank told Ambassador Jones the following:

A) On February 16, the EU3 MFA directors general are going to meet with an Israeli interagency team in Israel at the MFA to discuss Iran and the way ahead.

B) Based on his January 17-18 visit to Moscow, Frank believes the Russians are coming to a tougher position on Iran, closer to that of the U.S. and the EU3. Russia's proposal to assist Iran with civilian nuclear energy is meant to be an incentive to encourage Iran to re-engage the EU3, and is not a stand-alone proposal.

C) Russia and Israel believe that it could take Iran as few as six months to master the full centrifuge cascade once it starts research and development. Israel believes that Iran must not be allowed, under any deal, to conduct such research and development.

D) Israel is satisfied with Russia's current position on Bushehr and its willingness to resume safeguards discussions with the Iranians. Russian plans to inform Iran by the end of the month that, because of "technical problems," it must postpone completion of Bushehr until mid-2007, and will not send fresh reactor fuel until then. Russia will lose considerable money because of this, and Israel believes consideration must be given to economic incentives for Russia that will keep it "on board" with respect to Iran.

E) As Israel understands it, Russia's proposal to Iran envisions joint ownership, no Iranian access to technology, and the construction of an entire enrichment facility. Israel believes the Iranians should not be allowed to convert past UF-4. If they must convert to UF-6, it should be done in Russia. The Russians believe that Iran should use its own (limited) uranium stocks, an idea which Israel favors. However, if Iran balks and Russia withdraws its proposal, South Africa may step in.

F) Israel is concerned that Iran may ultimately profit by violating its nuclear safety agreements, and that this will set a bad precedent internationally. Israel believes that Iran must be forced to suspend enrichment before proceeding with the Russian proposal or any other proposal to help Iran with civilian nuclear energy.

G) Russia believes Iran should be given some time to consider its current situation before it is forced to make a choice. Israel believes the international community should continue to apply pressure on Iran, and that the current level of pressure is insufficient considering Iran's attitudes and actions. Israel believes the Europeans and others need to be encouraged to consider "soft" sanctions or "pre-sanctions" against Iran that would stand a better chance of being accepted in the UNSC than traditional economic sanctions.

H) Israel believes the IAEA is incapable of safeguarding facilities that produce the technology used in centrifuge production facilities. The IAEA may also have difficulty detecting a clandestine program if Iran declares an overt program. Pressure needs to be stepped up on IAEA DG ElBaradei so that his end-of-February report draws all the necessary conclusions and is clear and comprehensive. A "layman's guide" to reading the report may be helpful.

I) Israel is concerned that, despite the USG's best efforts, Egypt has advanced its position on a Middle East Nuclear Weapons Free Zone in the IAEA Board's latest resolution on Iran. Israel will look to the U.S. to keep upcoming UN

discussions on the Iranian nuclear program focused solely on Iran.

12. (U) Ambassador Jones provided Frank reftel talking points and President Bush's and Secretary Rice's statements concerning Iran's referral to the UNSC, noting that they had also been delivered to the Israeli MFA and MOD. END SUMMARY.

ISRAELIS SEE RUSSIAN POSITION ON IRAN GETTING TOUGHER

13. (S) Frank said the purpose of his January 17-18 visit to Moscow was to try to understand Russia's opposition to taking a harder stand on Iran, and to influence Russia in the right direction. Frank's interagency delegation met with ROSATOM Head Kiriyyenko, Defense Minister Sergey Ivanov and his staff, Foreign Minister Lavrov, and Deputy Foreign Minister Kislyak.

Frank said the meeting with Lavrov was more formal than the other meetings but interesting nonetheless. Frank said that his first meeting with Kiriyyenko went well and that he is "anxious" to develop a relationship with Kiriyyenko: Kiriyyenko seemed quite open and very alert and not afraid to ask questions. He appeared to be in learning mode but also quite knowledgeable, and open to the Israeli position. He said the Russians were very forthcoming and accommodating to the Israelis. They accepted the Israeli delegation on very short notice. Frank said the Russian line is getting tougher. He also said, "The Kremlin is sweating. There are those who fear a confrontation with Iran. And then there are those who fear a nuclear Iran." He claimed that the Iranians have threatened the Russians that they can raise havoc in Chechnya. Frank assessed that Kiriyyenko and Ivanov (representing the Russian Presidency) seem to be closer to the Israeli position than Kislyak (representing the MFA).

14. (S) According to Frank, Kiriyyenko said, barring complications, that it could take the Iranians as few as six months from the moment research and development begin to master the full cascade. This surprised the Israelis because, according to Frank, it corresponds with the Israeli view. Frank noted that when German Chancellor Angela Merkel recently visited Israel, she told the Israelis that Putin seems to be more responsive on the Iran nuclear issue. He characterized the Russians as "more transparent" than they have been on the Iran issue, and wondered aloud whether such an open dialogue could be sustained.

FRANK SUGGESTS RUSSIANS PUTTING BRAKES ON BUSHEHR

15. (S) On Russia's cooperation with Iran on the research reactor at Bushehr, Frank said the following:

A) Israel believes Russia will maintain its commitment and is ready to resume talks on safeguards at Bushehr. Kiriyyenko said that he is willing to have his experts meet with Israeli experts to further define additional safeguards that Russia could ask the Iranians to apply at Bushehr. Israel wants to discuss with the Russians more about Russia's policy with respect to Bushehr, rather than about technical matters.

B) According to Frank, the Russians said they introduced changes to the hardware in the contract they have with Iran on Bushehr. (NOTE: Frank did not supply any details. END NOTE.)

C) Kiriyyenko said that Russia will postpone completion of the Bushehr reaction until the middle of 2007, and that it will not send fresh fuel until then. Frank said that this is extremely important to Israel. Kiriyyenko told the Israeli delegation that the Russians will blame the delay on "technical problems" when they raise this with the Iranians so that the Iranians will not be in a position to complain. Frank said that the Iranians have not yet heard about this delay, and that they will hear about it from Kiriyyenko when he travels to Iran at the end of February. Kiriyyenko told Frank that Putin himself is ordering this delay. Frank estimates that the Russians are going to lose at least USD 50 million as a result of the delay. (He attributed this to losses associated with the front load of fuel.)

D) Rumantsyev said Russia has formally committed to not assisting Iran on the fuel cycle and will take back spent fuel.

FRANK'S VIEW OF THE RUSSIAN PROPOSAL

16. (S) Frank, who reports directly to the Israeli Prime Minister on the Iran nuclear issue, said the following about how Israel views the Russian proposal to assist Iran with civilian nuclear energy:

A) The Russians said repeatedly during their January 17-18 meetings with the Israelis that no details have been worked out yet because (at that time) the Iranians had said they

were not interested in Russia's proposal. The Israelis understand the proposal to include joint ownership, no Iranian access to technology, and to comprise a whole enrichment facility.

B) The problem with UCF conversion is not well defined regarding the stage to which the Iranians should be allowed to convert. Israel believes that the Iranians at most should be allowed to convert to UF-4, and definitely not UF-6. In Israel's view, if the Iranians are allowed to manufacture UF-6, their potential to fuel a clandestine program increases.

C) Israel wants UF-6 conversion itself to take place in Russia if the proposal is to be carried out. If conversion must take place in Iran, this is acceptable, but only under certain conditions. Frank explained that a UCF conversion plant itself is very hard to safeguard and, in Israel's view, the IAEA is not prepared for full safeguards. It would be easy to divert fuel. It is also the highest visibility part of the program. In the end, for Israel, it is worthwhile to insist on UF-4 as the limit for conversion in Iran.

D) Ivanov said that Iran's limited domestic uranium reserves should be used. The Israelis like this because it means Iran burns up its uranium supply.

E) Israel still has a problem with the Russian proposal for political reasons. As the Israelis see it, the Iranians end up getting something (e.g., operating a conversion plant) by violating their agreements. This, in Israel's view, does not set a good precedent.

F) South Africa could help Iran with commercial fuel if Russia decided to pull out. Frank said that South African MFA DG Abdul Minty has indicated that South Africa is eager to jump in with a commercial deal involving conversion and buy-back. This deal includes South African uranium for conversion in Iran. The South Africans would supply the uranium. The Iranians would fully operate a UCF, and then the UCF-6 would go back to South Africa. Frank said Israel is anxious about this prospect because Libya's nuclear weapons program reportedly involved South Africans, and Israel fears that South Africa would be willing to help Iran covertly, just as it reportedly assisted Libya. Frank admitted that Israel is "fuzzy on the details," and added that while Minty believes he speaks for South Africa, Frank is not sure the South African president would agree with Minty's proposal.

G) Asking that we strictly protect this information, Frank said that the Iranians have a 70-ton stockpile of Chinese UF-6 purchased years ago which is more than Iran needs for research and development. He said that Iran acquired it in the early 1990s before China joined the NPT. Frank claimed that Iran has approached China to see if it would fill in for Russia if Russia withdrew its proposal. He claimed that the Chinese did NOT/NOT respond enthusiastically.

H) Israel believes Iran does not need much more than it already has in terms of centrifuge expertise, and that it would not be difficult to get what it needs, should the Russians decide to withdraw their proposal. According to Frank, "They have almost all the parts. If they do not get what they need from Russia, they will get it elsewhere."

FRANK ON THE WAY AHEAD WITH THE RUSSIAN PROPOSAL

17. (S) Frank said that the biggest problem facing the international community is how to prevent Iran from gaining as a result of violating its nuclear safety agreements. "This," he said, "could cause serious harm to the NPT." Frank recounted that he told the Russians in mid-January that now is not the time for negotiations with Iran. Iran must fully re-suspend its activities first. According to Frank, Ivanov and Kislyak made it clear that the Russian proposal is only an incentive to help the EU negotiate. It is not a stand-alone proposal. Frank said the Israelis interpret this to mean that the Russians are going to require the Iranians to suspend enrichment before proceeding on the proposal.

18. (S) Frank stressed that Iran must NOT/NOT be allowed to conduct research and development on enrichment and warned that if this were allowed, it would lead to a series of gradual violations and kick off "the beginning of the end." He warned that, aside from the political ramifications, research and development would help Iran to remove the obstacles to mastering the conversion technology. Frank suggested that the Iranians are not far away from this anyway.

19. (S) Frank said that Iran's current constraint is mastery of the technology for operating a centrifuge cascade. Once the Iranians master the technology of a full cascade, it means they can start industrial-sized operations. Frank suggested that the Iranians would run into problems, but

observed that even the loss of 10-20 percent of their centrifuges would be acceptable to them. He noted that commercially, such a loss would be considered a disaster, but stressed that the Iranians do not care about this. "They are," he said, "running a crash program to acquire a capability." Frank said that within one year, Iran's rate of production will depend on its decision: If Iran wants more, it will get it. After a year, Iran could have its first 25 kilos of U-235.

FRANK COMPARING THE RUSSIAN AND ISRAELI POSITIONS

10. (S) Frank said that in the current situation, and considering the International Atomic Energy Agency's (IAEA) "weaknesses," Israel believes it would be better NOT to have a conversion facility in Iran at all, and that Russia agrees. He added that there appears to be no difference between the Israeli and Russian positions on:

- A) recognizing the risks of allowing the Iranians some sort of nuclear program;
- B) the objective of what that nuclear program would be; and
- C) the need, now, to do something concrete to address the current threat.

11. (S) Frank said that the big difference between the Israeli and Russian positions is on "what to do." According to Frank, the Russians pointed out that all the people dealing with the nuclear issue in Iran are now new. They are feeding the supreme leader all his information, including on options. According to Frank, the Russians believe it is best to allow these new people some time to "digest" the current situation and consider the possible consequences. This will give them time to provide sound options to the supreme leader. Frank said that the Russians feel that if the West pushes these new people too hard and fast now, they will react negatively and advise the Supreme Leader poorly, resulting in the Iranians making decisions that are disadvantageous to the West. Frank made it clear that Israel disagrees with this view, and believes that Iran is susceptible to pressure. He said that the current reaction by the West is "too small and too slow." He added, "We know Iran is moving elements of its program right now. It has gone beyond the breaking of the seals. Yet, there is no reaction."

DISCUSSION ON INCENTIVES TO KEEP THE RUSSIANS ON BOARD

12. (S) Frank and the Ambassador exchanged views on whether the international community could compensate Russia for its losses associated with keeping Bushehr at its current state. Frank promised to give the USG more information on what kind of economic incentives might be considered to keep Russia on board with respect to Bushehr.

13. (S) IAEA Deputy DG Ariel Levite suggested that the southern supergovernors in Russia influence considerably the Russian position on the Iran nuclear threat. He suggested that there is one in particular that has direct access to Putin, and said that this supergovernor "cries foul" and urges Putin to "go slow" in confronting Iran. (NOTE: Levite did not identify the supergovernor or which region he comes from. END NOTE.)

14. (S) Frank said that the key question is whether the Russians will agree to applying stronger measures against Iran. He wondered aloud what would trigger Russia to react, and observed that if the Russians begin to negotiate with the Iranians. It will be necessary to ensure that the Russians do not "give up the store."

FRANK ON THE IAEA'S WEAKNESSES

15. (S) On the IAEA, Frank made the following comments:

A) The IAEA is not effectively safeguarding the technology that can be used in centrifuge production facilities. Factories producing the kind of parts that can be used in centrifuge production facilities are "all over the place" in Iran. Most of these factories are in defense facilities where the IAEA is denied access. Furthermore, the IAEA does not have the resources to monitor the suspension of the production of centrifuges.

B) It might be harder for the IAEA to detect a clandestine enrichment or conversion project, if the Iranians declare an overt project because legitimate enriched uranium traces would mask over the traces that would be left by a clandestine project. A clandestine project would also not

have to be housed in a single, large facility. It could be broken down into smaller facilities and spread out, per what he termed the Libyan model.

C) Israel sees IAEA DG ElBaradei as a negative figure who keeps trying to circumvent the problem Iran poses, instead of taking it head on. The IAEA's next report on Iran is due at the end of February. If done properly, this report could help to mobilize more members to act more resolutely on Iran. The materials and information that the IAEA has are incriminating. The question, for Israel, is whether ElBaradei will act correctly. Israel believes that Israel, the U.S. and like-minded countries need to increase the pressure on DG ElBaradei to make his report as clear and comprehensive as possible.

D) Israel wonders whether the IAEA's in-house clearance process will "affect" the outcome of the February report. Will the connection with the military program be blurred? In Israel's view, it is all there, but it needs to be made explicit. What may be needed is a "layman's guide" on how to read the report, so that the right connections are made. In a general sense, Frank agreed that the report was more important for "what it did not say." Frank explained that, in the past, reports have included all the information that needed to be included, but that there was no executive summary to draw the connections between the information. In these cases, most of the diplomats in Vienna were not able to correctly process the information and come to the right conclusions.

E) Israel believes that the U.S. could help other diplomats understand the IAEA's reports correctly. The Indians told IAEA staff member Merav Zafary recently that they do not have the information they need to justify a stronger position on Iran to the Indian public and their own political left. Frank and Levite complained that Norway is not being helpful at the IAEA, but they did not elaborate.

FRANK ON EUROPEAN ATTITUDES RE: THE UNSC, SANCTIONS

16. (S) Frank said that it is clear to Israel that it will take a long time before sanctions can be discussed in the UNSC. He urged the U.S. to try to get other countries to consider "pre-sanctions" or "soft" sanctions that will probably have more of an impact on Iran than traditional sanctions. Israel has in mind preventing the Iranian national soccer team from attending certain international events, or having European capitals deny landing to Iran's national airlines. Another idea would be to warn investors of the risks of doing business in Iran. Israel has already discussed these ideas with some Europeans. According to Frank, the French have said that they see merit behind these ideas, and have agreed to warn investors. Frank said that Germany has been more of a "stumbling block," but claimed that Chancellor Merkel had promised the GOI that she would "have her people work on it." Frank warned that the Italians feel insulted for not being consulted on these matters to date and will require some real work to get them to come around.

FRANK ON EGYPT'S NUCLEAR WEAPONS FREE ZONE PUSH IN THE UN

17. (S) Frank said that Israel is truly grateful for the U.S. effort on the language in the IAEA's latest resolution reporting Iran to the UNSC, but "Despite America's best efforts, the Egyptians have obviously scored with the reference in the Board of Governors' resolution to 'a Middle East free of WMD.'" He said that the Egyptians have a game plan for taking the Nuclear Weapons Free Zone (NWFZ) forward, and that there is "no way" that the UNSC can address Iran without touching on this issue. Frank said that the U.S. and Israel will have to watch this and work together closely, as any such linkage could block any positive move on Iran. He urged the U.S. to help Israel by keeping the UN's discussion of Iran's nuclear program focused on Iran.

18. (C) Apart from IAEA DG Gideon Frank and Ambassador Jones, the meeting was also attended on the U.S. side by the DCM and the embassy's POL-MIL officer; and on the IAEA side by Deputy DG Ariel Levite and staff members Merav Zafary and Gil Reich.

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JONES